

Pragati

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The Indian
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Review



Why we need a **Second Freedom Struggle**

ON THE OLD TAKSHASHILA
REALISM OF THE INDIAN KIND
FDI IN THE DEFENCE SECTOR
NUCLEAR LIABILITY
DISASTER MANAGEMENT WOES

[illegible]

Pragati

The Indian National Interest Review

May 2010

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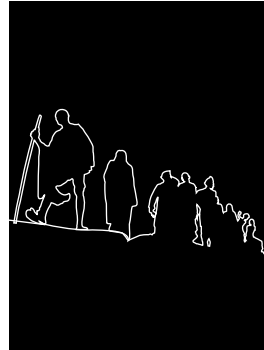
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A uniquely Indian realism

Underlying India's foreign policy framework

foreign policy

The standard narrative of the evolution of Indian foreign policy suggests that it has successfully transitioned from Cold War-era idealism to post-Cold War realism. According to this reading of recent history, India's post-colonial concerns with legitimacy and state equality have gradually given way to the realisation that all states are not equal in the international system, and that the most powerful states are the ones who define global legitimacy. Developing-world blocs, such as the Non-Aligned Movement, have declined in relative importance to other multinational mechanisms and proactive bilateral dealings as a means of furthering India's global interests. And where imperialism and superpower rivalry were once portrayed as the causes of all ills, New Delhi now considers the major powers as sources of stability.

Should you describe this broad transition in detail to a political scientist in a Western academic department, you would likely face immediate questions about whether contemporary Indian foreign policy is, in fact, realist. In Indian policy circles, realism is often treated as a synonymous with pragmatism, connoting an interest-based foreign policy as opposed to an ideologically-driven one. Realism as a theory of international relations is far more specific. It posits that states are sovereign, unitary actors operating in an anarchic international system, and are motivated by self-interest, insecurity and calculations of such concepts as the balance of power and polarity to attain more power and security for themselves. It also embraces an essentially pessimistic view of human nature.

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A different text book

Indian realism—as a framework for policymaking—shares some of the characteristics of the academic school with which it also shares a name. It is focused on the national interest, sceptical of institutionalism, attuned to balances of power and polarity, and inclined to place a high priority on preserving sovereignty. On the specifics of nuclear strategy, India's position aligns closely with those of realist scholars. Kenneth Waltz's arguments that nuclear weapons can encourage strategic stability and that few weapons are required to achieve a credible deterrent, for example, would find widespread agreement within India's strategic community.

But there are also several important elements that distinguish Indian realism from its academic counterpart.

On autarky, realists in the West would, rather strangely, find greater agreement with India's Left—self-described “liberals”—while Indian realists will align with liberal theorists of international relations.

First, and perhaps most importantly, India's foreign policy has assumed an economic dimension of which the academic school of realists retains a healthy scepticism. Indian officials of the past decade—whether prime ministers, foreign secretaries or service chiefs—have consistently spoken of India's top foreign policy priority being an external environment conducive to rapid economic growth. To varying degrees, India's engagement with nominal adversaries in its region, its warming relationships with the United States, Japan and Europe, and its Look East policy can all be attributed to this new found emphasis on economic growth as a critical element in India's foreign policy calculus.

There are several implications of such an economically-oriented foreign policy. Engagement and interdependence are now seen as preferable, on the

whole, to adversity and autarky. On the matter of benefits and disadvantages of economic autarky, realists in the West would, rather strangely, find greater agreement in India with the political Left—self-described “liberals”—while Indian realist views would more likely align with those of liberal theorists of international relations.

The increasingly positive Indian view of economic co-operation and interdependence inverts the pessimistic assumptions of human nature espoused by Western realists, for whom co-operation is seen as less preferential to forms of competition that might give India a relative advantage, including warfare and arms races. Moreover, while Indian realism may adopt some of the attributes of a competitive global outlook, it assumes that the means of competition have moved away from the primarily military and towards other realms.

Second, while the national interest may be cardinal in guiding foreign policy, Indian realists place a certain degree of importance on values and the nature of states. In this regard, there are considerable differences between Indian dealings in Asia on the one hand and, say, Britain's dealings with continental Europe in the 19th century. India will continue to engage with non-democratic states—from China and Saudi Arabia to Iran and Burma—in accordance with its interests. But it also understands that liberal, democratic governments provide both stability and transparency. Secularism and pluralism play a prominent role in India's own identity, and while India has been content using only its example as a means of promoting these values, it has so far been limited to a considerable degree by resources and its power projection capabilities in promoting these values more aggressively.

Third, India is now engaging in meaningful ways with an unprecedented number of actors in the international system. One of the under-appreciated implications of this is the shift in focus from relative gains, upon which realist theory tends to place emphasis, to absolute gains. A war might net India an advantage over its opponent in a purely bilateral competition, but India might still lose relative to a third player by initiating it. Because the numbers of actors that India engages with have multiplied exponentially, this increasingly translates into seeking maximum absolute gains for the country, regardless of the performance of competing powers.

Continued on Page 8

Asia drags its feet

Asian policy challenges in 2010

geoeconomics

Asian financial markets began the year with an impressive tailwind behind them. They had mostly clawed back the losses of 2008. Economic growth had recovered impressively and, more importantly, the feel-good sentiment had returned to most countries in the region.

Sustaining this was going to be a challenge. With interest rates at record low levels in the developed world and with the prospect of faster growth and wealth creation in Asia, capital flows would—like in 2007—again pose a problem of plenty. Second, commodity prices had begun to rise in the course of 2009. Among the factors that caused this, four stand out. The first was the weakness of the US dollar. The second was robust demand from China. Third, commodities had become securitised and hence were behaving as financial assets, rising or falling in tandem. Fourth, commodities are also in favour as real assets with potential shortages down the road.

Now that one quarter of the New Year is behind us, it is good to ask for Asia's monetary policy report card. The report is, at best, mixed and, at worst, a disappointment. Asia is still running the risk of a boom and bust outcome to its economies and asset markets. Soft-landing outcomes for both are not yet in the bag.

In response to the global financial crisis of 2008, developed nations resorted to unprecedented monetary and fiscal stimulus. Asian governments added their own set of massive stimulus measures even as they claimed that they were relatively unaffected by the troubles in the industrialised world. They then held on to these measures even as their asset prices spectacularly rebounded from the lows of 2008. There is some inconsistency in their

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claims and behaviour. If Asia believes that it is capable of economic growth independent of the prospect for the same in the West, its economic policies must also become independent.

In other words, if Asian economies were indeed going to be seriously hurt by the crisis and the repair in the West, then they should have signalled to investors that there was no justification for asset prices to start rising steeply again. On the other hand, if they believed that their economies were capable of levitating on their own, they should have de-coupled their monetary and fiscal policies earlier.

They are scrambling now to contain the possibility of another economic and asset price boom turning into a bust, consigning Asia to the case of a region with potential that is never fully realised. It is a replay of 2007 with just minor changes to the underlying dynamics. Then, Asian economies were in denial

RBI is focused on ensuring that the government completes its borrowing programme to finance its high fiscal deficit.

about inflation and overheating economies. They thought that they could ignore the rise in the price of crude oil by citing moderate core inflation rate that excluded the price of energy. Simultaneously, they also ignored warnings from overpriced asset markets. Eventually, when they could no longer ignore both signals, they began to tighten but they did so into the global financial storm. Asian economies and asset prices came down to earth with a thud.

This time around, the policy response has been the same—put off dealing with asset price booms until it is too late. Let us examine closely two countries—India and China—that stand for Asia's future tremendous potential.

Administrative measures only

Recently, China's State Council got the message from the red-hot first quarter GDP growth numbers and announced further tightening measures on

the property sector. There was a hint of panic and desperation in the measures announced.

As is well known by now, 'financial repression' in China (administered interest rates, restricted investment choices for the public) has not only resulted in huge household savings rate but has also limited households' investment options, pushing them into real estate and stock market speculation. They do it to augment their savings and incomes, given very low interest rates available on bank deposits and inability to take their money out of the country. This has resulted in frequent boom-and-bust cycles.

Extremely low official nominal interest rates encourage those that have access to such funding to use those funds for speculation. Those that do not enjoy such access pay extremely high interest rates in the black market. This is unsustainable. China needs to act immediately. It has to set its exchange rate free. That would, in turn, set its interest rate regime free. The central bank would then be able to better manage asset price booms. But China has refrained from raising its interest rates this year. It has relied on administrative measures.

Ultimately, what discourages speculation is cost of capital. Administrative measures are easier to evade than paying higher interest rates. The reluctance to administer the interest rate medicine to the economy and to its financial markets will hurt China.

RBI falls behind

The Reserve Bank of India (RBI) raised its repo rate, the reverse repo rate and the cash reserve ratio on April 21. The interest rate hikes followed a similar hike in March and the cash reserve ratio has gone up a full percentage point in the New Year. On the face of it, these may appear to be proactive and aggressive. The problem is that inflation has proven to be a lot stickier than thought. The consumer price inflation rate is in double-digits. As of February, the rate was 15 percent.

It is possible that food price inflation has peaked and that a good monsoon could bring it down further. But, as RBI acknowledges, the real rate is too negative and that it risks creating a spiral of raising inflation expectations. Yet, it is focused on ensuring that the government completes its borrowing programme to finance its high fiscal deficit. RBI fears that its rate hikes would raise the government's cost of funding.

This is problematic at many levels. First, it does not put a brake on the government's profligate

tendencies. Second, it aligns monetary policy with fiscal policy. They are loose or too tight together. Policy becomes pro-cyclical and exacerbates business cycles. Third, letting fiscal policy considerations take precedence over inflation runs the risk of entrenching inflation expectations that the central bank is concerned about. Eventually, to restore its credibility, RBI might be forced to raise interest rates steeply to bring down inflation and inflation expectations. That could result in policy overkill with adverse implications for economic growth. In the process, the Indian rupee exchange rate would become highly volatile, hurting foreign trade by

raising hedging costs, among other things.

Learning to be important players

In sum, what is becoming evident is that Asian governments are still grappling with their elevated economic stature and the policy challenges that come with it. Both India and China run the risk of losing control of their near-term economic trajectories even as medium growth prospects are underpinned by their sizes, demographics and catching up. If they accept short-term growth pains and asset-price declines, they will have truly decoupled from the ways of the West. ■

A uniquely Indian realism. Continued from Page 4

What's in a name?

Terminological confusion across historical periods and geographical space is not uncommon. The term liberalism, for example, has been adopted by or associated with figures as disparate as John Locke, Adam Smith, Thomas Jefferson, Karl Marx, John Maynard Keynes, Franklin Roosevelt, Jawaharlal Nehru, and Ayn Rand. Depending on the context, it can be used to connote more or less government spending, and more or less state control.

The term realism is often used to promote a viewpoint, regardless of its similarity to realism as a

theory of international relations. By invoking it in any context, one implicitly disparages competing viewpoints as “unrealistic”: naïve, impractical or confused. It might be tempting to dismiss Indian realists as jumbling together a set of conflicting goals and priorities whose only common feature is that they are representative of a break from the foreign policy of the early Cold War. This caricature is misleading. Indian realism may not adhere exactly to the theories of Carr, Morgenthau or Waltz. But this does not mean that a framework for how the Indian polity views its place in the world is completely absent. ■



Military modernisation needs FDI

defence
industry

The case for removing caps on foreign equity in India's defence sector

The private sector was allowed to enter the defence industry in May 2001 when the government permitted—subject to licensing—100 percent equity with a maximum of 26 percent foreign direct investment (FDI) component. Recent media reports suggest that the commerce ministry is contemplating a proposal to do away with the FDI cap altogether. Previously, industry associations have called for the FDI cap to be raised from 26 percent to 49 percent. The Parliamentary Standing Committee on Defence and the Economic Survey for 2008-09 had echoed these proposals. The failure of existing policy to attract any substantive FDI in the defence sector—only Rs 7 million over the last decade—underpinned these demands.

Notwithstanding the abysmal failure of the current policy, the defence ministry has unequivocally stated its view that as defence is a strategic sector, foreign investment in joint ventures would be limited to 26 percent. Any FDI beyond 26 percent would be considered on a case-by-case basis. The joint venture with Russia to manufacture multi-role transport aircraft and for manufacturing BrahMos missiles; and between HAL and French company Snecma for the manufacture of aircraft engines have been allowed by the defence ministry on a 50 percent FDI basis. But the ministry has recently rejected proposals for joint ventures between Mahindra Defence Systems and UK-based BAE Systems; and between L&T and Franco-German corporation, EADS involving 49 percent foreign shareholding. These exceptions of allowing FDI beyond 26 percent have been few and far in between, and have only involved public sector defence manufacturing units. Clearly, the cap

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Photo: Anurag/Wikimedia

inhibits the entry of foreign firms into the Indian defence market. Few foreign firms are keen to invest resources in a venture where they have no significant control, face strict capacity and product constraints, have no purchase guarantees, no free access to other markets (including exports) and where the field is skewed in favour of the local public sector. Moreover when the defence ministry is already buying directly from foreign suppliers there is no incentive for that firm to create a 26 percent-owned subsidiary in this country.

Most major defence manufacturing units need a transfer of technology. However no foreign defence technology leader is comfortable with transferring proprietary technology to a company in which it does not own a major share. Advanced technologies cost billions of dollars to develop and the returns likely to be generated on the basis of current FDI regulations—coupled with the lack of control—make it unattractive for a foreign firm to enter the Indian market.

Furthermore, due to the current restrictions, India is losing out on a number of foreign companies who might be keen on developing India as a 'home market'—both as a major domestic sales market and a global manufacturing hub in its supply chain. The United States remains home to some of the biggest and most advanced

defence manufacturing firms in the world. Rather than being restricted to transactional defence deals with the United States, lifting the foreign equity restrictions will attract US firms and make India's relations with the United States truly strategic in nature.

Indian firms seeking to diversify into defence production would also benefit from raising FDI limits. It will help them secure the transfer of key technologies and boost the capital available to them. Most importantly, it fulfils their need to mitigate commercial risks in the highly fraught development environment of defence production. Defence systems, which are usually at the cutting edge of technology, require enormous capital to develop and there are never any guarantees of actual orders. Private Indian defence manufacturers in effect have little choice but to look abroad for partnership, funding and technology.

The case against increasing the cap for FDI, as argued by the defence ministry, is founded primarily in Indian sovereignty, security of supply issues and promoting organic industry development. It believes that allowing greater levels of FDI, even below 49 percent level, would increase the amount of control exercised by foreign partners and consequently reduce the actual level of indigenisation and maintain the reliance on foreign

suppliers. The ministry has also argued FDI levels of more than 50 percent would imply that the management control would be with foreign investors. Therefore due to the strategic nature of the defence industry, there is an apprehension that such ventures would fail at critical times.

These concerns are understandable. But they can be addressed. For instance, the commerce ministry's note argues that conditions could be imposed whereby the government can expropriate a manufacturing facility for reasons of national security, after paying suitable compensation. There are examples of other countries like the United States and the United Kingdom which have allowed 100 percent foreign equity in the defence sector without comprising on control, security and secrecy. Regulations can be imposed to ensure that, except for foreign ownership and investment, the company is essentially a domestic entity serving the domestic military requirements with absolute security and secrecy where required. The public sector defence units must also be restructured to prepare them to face the new competitive environment.

The offsets policy is often cited as a tool that attracts latest technology without compromising the national security interests. This requires a foreign arms supplier to produce in India goods and services worth 30 percent of the contract it is awarded. Yet offsets are a poor alternative to FDI. India lacks the capability to absorb the offsets obligations, estimated to be about \$9 billion by 2012. In such cases, foreign vendors, faced with significant offset obligations, will end up seeing non-commercial and artificial offset trades with Indian businesses simply to meet these obligations. There is also the risk that offsets will be used for low technology components with a minimal

value addition. In fact, greater infusion of FDI will help create the capabilities for India better capitalise on the offsets policy.

Increasing the FDI cap from 26 to 49 percent will perhaps lead to incremental benefits to India, if at all. But allowing 51 percent foreign equity, if not 100 percent, will make a significant difference to the Indian defence industry.

The fears and objections that surround opening the defence sector to higher foreign participation are not dissimilar to those expressed when the government

Arguments against opening up the defence sector to higher foreign participation similar to those expressed before telecommunications and insurance sectors were liberalised.

was considering reforming the telecommunications and insurance sectors. Yet the evidence from these other sectors—strategic in their own way—clearly suggests that foreign investment has transformed the technological sophistication, generated employment, built local expertise and improved the reach and effectiveness of the services.

India's cap on FDI is stunting the process of modernisation of the armed forces. It is a cap that India cannot afford. ■

RAVI GOPALAN

LeT in Pakistan's strategy

ASHLEY TELLIS of the Carnegie Endowment for International Peace states that Lashkar-e-Taiba's global presence and its sponsorship by the Pakistani military and ISI due to a similar ethnic composition and ideological sympathies enhanced the prospect of major war and global consequences.

In an article for *YaleGlobal Online*, "Pakistan and the Afghanistan End Game", he states that Washington had now reached the conclusion that LeT represents a threat to America's national interests while Pakistan's military leaders continued to harbour the illusion that their current strategy of unleashing terrorism would enervate India, push it out of Afghanistan, and weaken US stabilisation efforts there and such a strategy would come to nought.

Moscow-Kabul-Karachi

PREM MAHADEVAN of the Centre for Security Studies in Zurich states that the Moscow bombings were on one level motivated by local considerations such as revenge for assassination of Chechen terrorists, while also being linked on another level to the shifts in Afghanistan in the backdrop of Moscow agreeing to facilitate the resupply of NATO forces through the Northern Distribution network.

In a commentary for *ISN Security Watch*, "Fallout of a New Great Game?", he posits that the new supply route would reduce NATO dependence on Pakistani supply routes and hence significantly lower transit fees for Islamabad, which could explain the sudden drop in Taliban attacks on the convoys and also cautions Moscow to brace itself for more terrorist attacks in the wake of intensification of the war in Afghanistan.

Strategic diffidence

DOMINIQUE MOISI, advisor of the French Institute of International Affairs (IFRI) and visiting professor at Harvard University draws parallels between a strategically diffident New Delhi and Washington of the 1920s to state that India continued to remain ill at ease in the projection of strategic power.

In an opinion piece in *The Scotsman*, "India still lacks practice in power game", he

states that India's unease about strategic power, and its resemblance to a gigantic EU reflected its ongoing search for a new international identity and that India lacked both the means and the ambition to be a second China and that was a further reason for the west to engage and invest in India.

The nuclear hermit

RORY MEDCALF, director of International Security at the Lowy Institute argues that New Delhi's nuclear-weapons posture characterized by a minimum credible nuclear deterrent, no-first use policy could be a model to emulate for other states. In an opinion piece in the *Wall Street Journal*, "India's nuclear example", he calls for closer U.S.-India strategic ties to ensure India's strategic arsenal remained small and the world could not afford to leave New Delhi out of the non-proliferation and nuclear security tent.

Kisan inquilab!

RAJIV KUMAR, director of ICRIER calls for a liberation of the kisan through the facilitating the entry of private, co-operative or commercial investors including foreign multi-product retail companies into agriculture to establish their agro-procurement operations for the Indian domestic and export markets.

In an opinion piece in *Mint*, "Liberating the farmer", he states that dis-intermediation in agriculture, enhanced investments in logistics and technologies, along with government switching its role from that of a supplier of services and inputs to that of a regulator could bring about massive productivity gains in the agricultural sector.

Pole positions in clean-energy

The Pew Environment Group led by its director JOSHUA REICHERT analyse trends in the clean energy sector within the G-20 economies over the past 5 years and are sanguine about the sector that is forecast to grow by 25% to \$200 billion in 2010 on the back of a prioritization on clean energy funding by the G-20 governments.

In a report titled "Who's winning the clean energy race? Growth, Competition and Opportunity in the World's Largest

Economies", they state that nations such as China, Brazil, UK, Germany and Spain with their strong, national clean energy policies were leading the clean energy economy sweepstakes and other countries would need to more actively evaluate policies to stimulate clean energy investment and compete effectively for clean energy jobs and manufacturing.

Narco-terrorist networks

MICHAEL JACOBSON and MATTHEW LEVITT of the The Washington Institute's Stein program on Counterterrorism and Intelligence point to the increasing linkages between terrorist organisations and organised crime networks with about 60 per cent of terrorist organisations connected to drug trafficking which generated \$322 billion in sales and additional ancillary revenues. In an article, "Tracking Narco-Terrorist Networks: The Money Trail", they state that this presented an opportunity for increasing international co-operation since it would convert the terrorism problem the semantics over which states differed into a law and order problem which would be easier to gain trans-national co-operation against.

Fade Britannia

CHRISTOPHER HILL of the University of Cambridge cautions that the financial crisis had resulted in tough foreign policy choices for Britain and recommends depersonalising British foreign policy and grabbing the opportunity provided by the Lisbon Treaty to shape European diplomacy. In an article for Chatham House' publication, *The World Today*, "British Foreign Policy Priorities: Tough Choices", he lists anti-terrorism, foreign office and its attendant diplomatic network and a resizing of armed forces as key priorities in the wake of the financial crisis.

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UN report indicts Pakistan's 'establishment'

NAVEED HASHMI writes on the UN Commission's report on the Benazir Bhutto assassination in *Roznama Ausaf* that the inquiry did not unearth anything new, but simply repeated facts that were already known to the public. Mr Hashmi claims that the only question that arises from the commission's report is if and to what extent members of the Zardari dynasty played a role in the incident and the subsequent handling of the investigation. The article argues that the people have always been aware of General Pervez Musharraf's culpability in Ms Bhutto's assassination and have always known of issues highlighted in the report, from police commissioner Saud Aziz's decision not to conduct a post mortem, to Baitullah Mehsud's threats to Ms Bhutto. Mr Hashmi suggests that the culpability of the members of the People's Party of Pakistan (PPP) is imprinted in each of these errors of omission; therefore, given that no new information was presented by the UN Commission's report, why hasn't there already been an internal investigation of some of the members of the PPP?

The writer asks why those individuals of the PPP responsible for Ms. Bhutto's security have not been brought to book, even two years after her assassination. He is critical of the commission's report, suggesting that the PPP leadership spent considerable amounts of money to ensure that the report did not present anything startlingly new nor contain damning accounts of their own culpability. The author challenges President Asif Ali Zardari and Prime Minister Yusuf Raza Gilani to fully investigate Ms Bhutto's assassination and bring those responsible to book.

ElBaradei's presidential prospects

SAID SHUAIB despairs on Egypt's *al-Youm as-Sabah* on the state of politics in Egypt. He believes that a disconnect exists between

the masses of Egypt—who struggle to have their economic rights met—while the political establishment is engaged in other (perhaps important) battles.

Mr Shuaib believes that to the extent that these two tangential struggles exist, an impact on social order is inevitable. The author believes that Egypt's opposition parties have not learned from their mistakes of the past. He believes that real opportunities existed for meaningful "grass roots" political opposition in 2004, but these could not be sustained. Former IAEA Chairman Mohamed ElBaradei's intends to run for president in the national elections on the platform of "change." However, Mr Shuaib believes that Dr ElBaradei has articulated nothing new in his discourse and in recent speeches, failed to connect with the aspirations of the public. While intentions for real political change may be there, they are infeasible given the nature and mechanisms for discourse in the Egypt's parliament.

Dr ElBaradei will likely give opposition parties momentum, but not come closer to addressing "grass roots" changes demanded by the people.

It's America's fault

An editorial on *Nawa-i-waqt* criticises the nuclear security summit in Washington, DC. It contends that Mr Obama's call for all outlying nations to sign the Nuclear Proliferation Treaty (NPT) is hollow and hypocritical. The piece suggests that the United States wants Pakistan, Iran and North Korea to sign the NPT. It claims that although Mr. Obama announced measures to reduce the stockpile of nuclear weapons, the United States continues to spread propaganda about the security of Pakistan's nuclear assets, suggesting that they could fall into the hands of al-Qaeda or other extremists. The United States conveniently forgets that Pakistan was forced to develop nuclear capabilities because of US "allies," India and Israel.

The article opines that the United States intends to maintain its position as the world's predominant nuclear power and internationally isolate those who would challenge its stature. The editorial suggests that the United States has done little to curtail the nuclear capabilities of India and Israel and is allowing those countries to arm themselves to the teeth. Pakistan is threatened by both India and Israel and is,

as such, fully within its right to maintain its nuclear arsenal to counter those of its enemies.

Cheering for China

Ali Badwan's op-ed article in UAE's *al-Bayan* discusses Sino-US relations in relation to Iran's nuclear ambitions.

He points out that both the Chinese and Russians have generally opposed additional sanctions against the Iranians, which President Obama favours. Mr Badwan states that the United States has historically pursued the promotion of its own strategic interests, at the expense of other nations. But with the gradual re-emergence of a new economic and political global order, this United States is finding it difficult to continue doing so. Fresh sanctions would cripple Iran economically, which is against the interests of Russia and China, as well as those of other major developing nations such as India and Brazil, who are keen to enhance economic co-operation with Iran. The United States has attempted to provoke China by supplying long-range missiles to Taiwan and then meeting with "Chinese opposition separatist" Dalai Lama.

Mr Badwan believes that the recent economic downturn has made the United States more dependent economically on China than before and that China has emerged stronger from the downturn. The author believes China's handling of the economic crisis demonstrates the wisdom and validity of the People's Republic's political system, which has steered the nation's economic policies. He suggests that the United States will be challenged even further economically and militarily by China.

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Towards the Second Freedom Struggle

The evolution of Indian liberalism

politics

Liberalism is distinguished by its focus on the primacy of the individual in all spheres of human life—political, economic, and social. Individual well-being is the standard to assess suitability of norms, customs, policies, and institutions. As Adam Smith and Friedrich Hayek have demonstrated there is no conflict between pursuit of self-interest and social good. Liberalism helps identify the rules necessary to achieve the harmony between self-interest and social good: limited government, rule of law, private property, free competition, and voluntary interactions.

India's liberalism has evolved through stages that first emphasised earthly life and materialism, then social reforms and political independence, and now economic and social freedom.

Ancient liberalism of materialism

The culture as old as India's would obviously have a strand of thought that is labelled today as liberalism or libertarianism. Liberalism is a philosophy for living life on this earth. It does not directly concern itself with, or rather leaves individuals free to choose their beliefs, about after-life. The major focus of much of Indian philosophy has been on the life before and after the one on earth and their interconnections: to explain the status in the current life by considering what was done in the previous lives and to predict the future life by evaluating the conduct in this life. Nevertheless, many thinkers brought in earthly enjoyments and material aspects to articulate a philosophy of living this life, Charvaka being the most prominent of these thinkers. Their focus on the good and virtuous life

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to be lived on this earth could be seen as the first stage of liberalism in India.

Modern liberalism in India took roots during the social reform movements of the middle and late nineteenth century. Raja Ram Mohan Roy, Gopal Krishna Gokhale and others launched a systematic attack on anti-life social practices like *sati* and the ban on widow remarriage through movements like the Brahmo Samaj and Arya Samaj. These movements influenced a large section of the population, particularly in eastern and western parts of India, where they still have a following. Despite the start much remains to be done in this area of social reforms.

With the rise of demands for independence from the British, the social reform liberalism gave way to the liberalism of political independence.

Liberalism of political freedom

Intense discussions and debates engaged all activists not only about strategies and tactics to get the British

India's share of trade in manufactured goods and machinery was higher at the time of independence than it has been any time since.

to quit India. They also focused on the type of political and economic system that India should adopt post-independence. Social reformers as well as freedom fighters all worked under the banner of the Congress Party.

The exposure to and attraction of Fabian socialism for many leading freedom fighters shaped the debates about India's future political and economic institutions. Socialists formed a separate Congress Socialist Party and the liberals formed a liberal group, but they all worked under the Congress Party umbrella. The Indian National Congress was the pre-eminent arbiter of the freedom struggle, whether of social reforms or political independence.

Jawaharlal Nehru's affection for Fabian socialism as well as Soviet communism was the most critical factor in determining India's path towards democratic socialism. Nehru shaped political institutions so that

democracy could take root despite a very large illiterate and poor population, and an inexperienced political leadership. India was the shining star of democracy among the countries that achieved independence from the colonisers in the first half of the twentieth century. India's democracy, however much chaotic and dynastic, is widely viewed as her singular achievement.

Soviet-style five-year plans came to rule the economic life of independent India. Rapid, large-scale industrialisation was deemed to be impossible without the state dominance of the 'commanding heights of the economy.' Indian people were seen lacking in resources, capital, and entrepreneurial and managerial talents. The Indian government therefore took over the responsibilities of economic development. No one asked if the people of India did not have the capital and the talent, where the government of India would acquire them from. Despite the existence of private airlines, railways, automobile factories, steel mills, and power plants, there was a lack of confidence in India's private sector. Many of these companies had successfully competed in international markets. India's share of trade in manufactured goods and machinery was higher at the time of independence than it has been any time since. Nonetheless the state dominated the economy.

Despite the all-powerful planning commission and all-pervasive five-year plans, Nehru left alone whatever remained of the private trade and industry. He did however try to collectivise agriculture in line with the Soviet model. This attempt united all the disparate liberal groups in the country, leading to the formation of a new political party, the Swatantra Party. This party of farmers, small traders, and liberal intellectuals became the main opposition party in the Parliament after the 1967 general elections.

With the successful war against Pakistan and the campaign slogan of '*Garibi Hatao*' (Eliminate Poverty) Indira Gandhi decimated the Swatantra Party in the 1971 election. It never recovered from the blow. The first political challenge to central planning was summarily squashed, but it proved successful in convincing the political establishment not to try collectivisation of agriculture again. Lessons of Swatantra Party's failure though remain to be systematically analysed and understood.

Indira Gandhi changed the focus of planning from state-led growth to state-directed redistribution. The lack of certainty of electoral victory, unlike her father, induced Indira Gandhi to use the machinery of

the state for electoral politics. Redistributive populist policies became the norm: nationalisation of banking and insurance industries, subsidies to vote banks defined by caste, class, or religion, licensing of firms and industries, heavy import tariffs and restrictions.

A few of these policies, it must be noted, were necessitated by the inherent contradictions of the state-led growth. The state dominance of the economy had stifled private initiative and the resources required to fulfil grandiose plan targets were forever short. The state had to engage not in just sectoral but even firm-level planning and allocate each ounce of capital very carefully, balancing all the time necessities and luxuries so as not to squander any amount of resource.

Nehru's democratic socialism metamorphosed into Indira Gandhi's license-permit-quota socialism. She produced the unique brand of Indian socialism. The slippery slope of planning—the logic of more and more intensive and extensive government interventions and controls—just could not be escaped.

Liberalism of economic freedom

B R Shenoy's famous Note of Dissent on the Second Five-Year Plan can be seen as the foundation from which the challenge to planning and the loss of economic freedom began. Until his death in 1978, he tirelessly argued for denationalisation, privatisation of public sector enterprises, responsible monetary policy, rejection of foreign aid, open competition, free trade and the abolition of central planning. A D Shroff, a Bombay businessman, started the Forum of Free Enterprise to educate the public about the vices of planning and virtues of private markets. M R Pai has ably carried forward the mission of the Forum. Minoo Masani, one of the founders of the Swatantra Party, launched several freedom organisations. His journal, *Freedom First*, and the Indian Liberal Group continue to discuss and apply liberal principles and policies.

A new farmer organisation took shape under the leadership of Sharad Joshi. He had resigned from the Indian Administrative Service to become a farmer, but the plight of agriculture under the policy of forced industrialisation turned him into a political activist. He founded Shetkari Sanghathana, the only farmer's organisation that demands removal of all subsidies in exchange for freedom to trade. Its political arm, the Swatantra Bharat Party, has played a noteworthy role in the politics of Maharashtra state. Madhu Kishwar's

magazine *Manushi* provides uniquely gendered liberal analysis of the economic and social problems.

All these sustained attempts were inadequate given the scale of the problem. Nonetheless, India did begin on the path of liberalisation in 1991 when faced with a severe foreign-exchange crisis by opening up international trade and abolishing the license-permit raj.

The real challenge then lies in further liberalisation of the domestic sector—the agenda set out by Dr Shenoy decades ago. The little progress on this second phase of reforms is clear indicator of the lack of understanding on the part of political and intellectual leadership of the broader framework of policies and institutions that can harmonise personal interest with public interest.

Two men politically responsible for the 1991 liberalisation are the then Prime Minister P V Narasimha Rao and his finance minister, Manmohan Singh. Mr Rao publicly repudiated his own policies and has proclaimed that they were a mistake. Dr Singh has

Indira Gandhi changed the focus of planning from state-led growth to state-directed redistribution.

shown little enthusiasm in explaining and defending them with the general public. Reforms are seen as the domain of technocrats. Without the public support, the harder reforms of privatisation of PSUs, liberalisation of agriculture and labour markets, abolition of the reservation for the small-scale sector, rationalisation of subsidies would be impossible to implement. And without these reforms, India will not be able to sustain its high-growth rate trajectory.

New liberal organisations have come up since the 1990s to bolster the efforts of the earlier ones. Some of these have survived and continued the struggle whilst some have not. But all these experiences have created a stronger breed of committed liberals in India than ever before. Though the Association of Youth for a Better India (AYBI) in Mumbai did not survive, one of its founders established another organization—Prajā, which is doing remarkable work in accountability in Mumbai. Lok Satta, Liberty Institute, Indian Liberal Group (ILG), Liberal Group Kerala, and Centre for Civil Society (CCS) are the old hands in the

Indian liberal canvas. Jayaprakash Narayan's Lok Satta movement has transformed itself into a political party and has won a seat in the Andhra Pradesh assembly.

Recent elections have seen a whole new wave of alternative politics which independent candidates as well as new parties and groups entering the political playground. Whilst most of these parties argue for liberal governance in their policy prescriptions, some like the Jago Party are more aggressively liberal when it comes to economics. Sanjeev Sabhlok's Freedom Team of India aims to recruit 1500 liberal political leaders before general elections 2014. Flowering of younger liberal organisations—Prabodh, Centre for Public

Policy Research, Pratigya, Liberal Youth Forum—hold out the hope of a much larger and diverse liberal network. The Friedrich Naumann Foundation has had an important role in supporting liberal initiatives in India.

India's first freedom struggle gained political independence from the British in 1947. Successful flourishing of the democracy since then has fulfilled the political part of the liberal project. However the Indian state has continued to dominate the economic and social life of its citizens. The Second Freedom Struggle shall then deliver economic and social freedom to the people of India. To the Second Freedom Struggle! ■

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Beyond the right

The implications of the Right to Education
Act

education

One of the more enduring puzzles of education in developing countries has been the persistence of a questionable quality of education among government schools, relative to their private counterparts.

Conventional wisdom would have it that government schools fail because they are severely deficient in basic infrastructure, suffer from teacher and student absenteeism, and bureaucratic lethargy leaves supervision inadequate. While these are all accurate representations of government schools and contribute to their poor quality, it is an over-simplification to reduce the challenge to these popular stereotypes.

The success of the recently implemented Right to Education (RTE) Act will depend to a large measure on its ability to address the issue of quality of education in government schools. The RTE, which promises “free and compulsory admission, attendance and completion of elementary education” as a fundamental right for children aged six to 14, is expected to bring approximately 9.2 million out-of-school children across the country to schools. It is therefore an opportune moment to examine two important proposals in the Act and its possible impact on government schools.

One of the most interesting features in the RTE Act is the mandatory provision of reserving 25 percent of seats in private schools for children from economically and socially deprived sections. If implemented in true spirit, this will provide a great opportunity for a larger number of poor children to access better quality education provided by the many good private schools. However, its impact on the local government school need not necessarily be benign.

GULZAR NATARAJAN

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There is enough evidence—pioneered by Thomas Schelling and popularised by Malcolm Gladwell—to suggest that government and private schools may be subject to the same societal forces that underpin the economics of social segregation. These suggest that the dynamic interplay of various socio-economic forces invariably leads to an emergent situation wherein the private schools end up getting enriched and government schools impoverished.

Prevailing conventional wisdom considers private schools as superior to government schools, and parents therefore generally prefer to send their children to the nearby private institution if they could afford it. Further, even among the poor who cannot afford private education, the parents of better-performing children are more likely to send their children to private schools, despite their financial problems.

A combination of the poor quality of government schools and the widespread preference for private schools, would therefore result in the better students leaving government schools for private ones, especially in the urban areas. It is but inevitable that the flight of good students to a specific category of schools not only enriches that school, but also impoverishes the quality of the school from where the student is leaving. In other words, private schools exercise a “crowding out” effect on government schools by cherry-picking on the better students and, in the net, leaving government schools even more impoverished.

There is the possibility that the 25 percent reservation provision in the RTE Act could end up increasing the divide. Presumably, the private schools will have in place screening mechanisms to select from among the best talent of poor children applying for these seats. By attracting the best talent, they would become even more segregated (performance-wise) from the government schools, and a two-track schooling system, with even greater outcome disparity, could emerge.

This possibility only underlines the increased importance of strong administrative and regulatory oversight on maintaining standards in government schools.

Second, the RTE Act requires that schools conform to a 30:1 student-teacher ratio. The 523,000 vacant positions for teachers (and 510,000 new ones) mean that all state governments will have to appoint a large number of teachers to achieve the stipulated ratio. But given the considerable political goodwill to

be capitalised and regular practice, it is inevitable that all states will undertake massive direct recruitments to fill these vacancies.

Strong resistance by powerful teachers unions across states has been a major stumbling block in the implementation of reforms that could improve quality in government schools. The proposed additions to the teacher workforce to meet the RTE norms will only increase their negotiating power.

Further, it has been found from recent research—for instance, by Karthik Muralidharan from the University of California, San Diego, who examined the relative performances of regular and contract teachers—that increased flexibility to hire and fire teachers positively impacts on teacher performance. Conversely, job security engenders complacency and lowers learning outcomes. It is therefore important that this dimension be factored into the recruitment policies for new teachers across states.

In light of all this evidence, a more appropriate strategy would be to have a mix of both direct recruitments and contract appointments, with the contracts structured to achieve a performance-based progression to permanency. Vacancies in primary schools, especially in rural areas, could be filled up with contract teachers, who after appropriate contract tenure could be either absorbed or relieved off, based on their performance.

Given the fact that the RTE Act lays down standards for various things including school infrastructure, teacher training and curriculum, it may have been prudent to clearly specify the modalities for recruitments also. State governments on their own may not be able to structure such incentives given the strong resistance this is likely to generate from the unions.

Even with all the interventions proposed under the RTE Act, the fundamental issues of ensuring teacher and student attendance, and the quality of teaching will remain largely unresolved. Creation of demand-side pressures by more active role for school management committees are necessary to increase teachers’ accountability to the local community and improve the quality of education.

The critical link between poverty and student absenteeism cannot be easily broken. Therefore complementing existing schemes like mid-day meals with modest conditional cash transfers to incentivise parents to send their children to school could improve school attendance and even learning outcomes. ■

The story of Kundapura

How an empowered municipality is managing water resources effectively

The role of municipalities as agencies for driving social and economic development has not been given its due importance for over a hundred years now. While there is a reference to village panchayats in the Directive Principles of State Policy, there is no specific reference to municipalities, other than to place the subject of local self-governments as a responsibility of the states. It was in 1992 that the 74th Amendment strengthened their role as effective democratic units of self-government.

In the popular imagination, it is understood that the poor state of public utilities can be addressed by designing effective policies and helping the “government” take right decisions. But which government is being talked about is seldom clear. Often, the decisions of the Union and the state governments are taken in a place too distant from the region it is intended for. This distance results in numerous inconsistencies and poor performance of the governments in a large country like India. Article 40 of the Constitution provides for state governments to organise village panchayats (this later included the municipalities also) and endow them with such powers and authority to enable them to function as units of local self-government.

Like municipalities, water too falls under the purview of the state governments. Therefore, it is imperative that any effort towards effective water management must involve the municipalities in a proactive role, since they comprise the local self-government in the towns. Treating them as mere “implementing” agencies will not help. The policies of the state governments must empower the municipalities to take initiatives independently and lead

PRAVEENA SRIDHAR

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the course of development of their respective towns, for they know the best about their people.

India faces an unprecedented water crisis which is a crisis not of its physical availability but of gross mismanagement. Poor water-supply infrastructure is a lead cause of water shortages. Between 40 to 60 percent of the water pumped into the distribution networks never reaches the users in most cities of India. This portion of water is termed as unaccounted-for water (UFW) or non-revenue water (NRW). Technically this is not a very difficult problem to solve for water utility boards. It is the social, institutional and political factors that make it difficult.

Here is a success story of efficient water management, planned and led by a municipality. The Town Municipal Council (TMC) of Karnataka's coastal town of Kundapura won the National Urban Award in 2009 for achieving a significant reduction in NRW. This town in Udupi district has reduced its NRW from 81 percent to 13.3 percent during the period 2004-2008, through a major overhaul of its water supply system and improving the quality of its service.

Kundapura is abundant in surface water resources and receives a high average rainfall of around 4000 mm. Its population of 30,000 is spread over an area of 11.84 sq km. Groundwater resources provided for its water supply until the year 2006. Untreated water from 11 open wells was supplied to the entire town with no attention to water quality. The production of the wells was 0.6 million litres per day (MLD) with 23 litres per capita per day (LPCD) of water availability. Most of the supply lines leaked. During summer season the low level of water in wells often led to the intrusion of saline water from the sea. Consequently, people resorted to trucked water supply during those months, paying up to Rs 1000 per month for the service.

It was under these conditions that the TMC thought of a new approach to water management. Under the new plan the TMC shifted the source of water supply from wells to a river around 12 km from the town. This was a more sustainable source. A water treatment plant was put in place before pumping it into the distribution network. This arrangement also helped in increasing the water availability from 23 LPCD to 135 LPCD.

As the entire water supply was being reworked, auditing the water and energy consumption was incorporated as a standard procedure. To reduce the

quantity of non-revenue water in the system, people were encouraged to have individual connections to their houses, with meters installed to measure their water use. It arranged for the people to pay the cost of installation (around Rs 4000) for the piped water connection and the meters in instalments. The people were encouraged to pay their bills on time and a new water tariff was developed separating domestic use from commercial, so as to help people use water equitably and judiciously.

By 2009, 80 percent of the municipality was covered by the water supply network. The town now supplies around 2 MLD of water with a capacity to scale up to 7.5 MLD. Even during summer, 135 LPCD of water is guaranteed to consumers. Leaks and operational problems are attended within 24 hours. The cost of the service has also become affordable, with average water bills around Rs 75 per month, at the rate of Rs 5 for every 1000 litres of water consumed. The entire

State governments must empower municipalities to undertake initiatives independently and lead the course of development of their respective towns.

project was implemented at a cost of Rs 135 million, supported by the Asian Development Bank. It addresses the demand for water up to 2026.

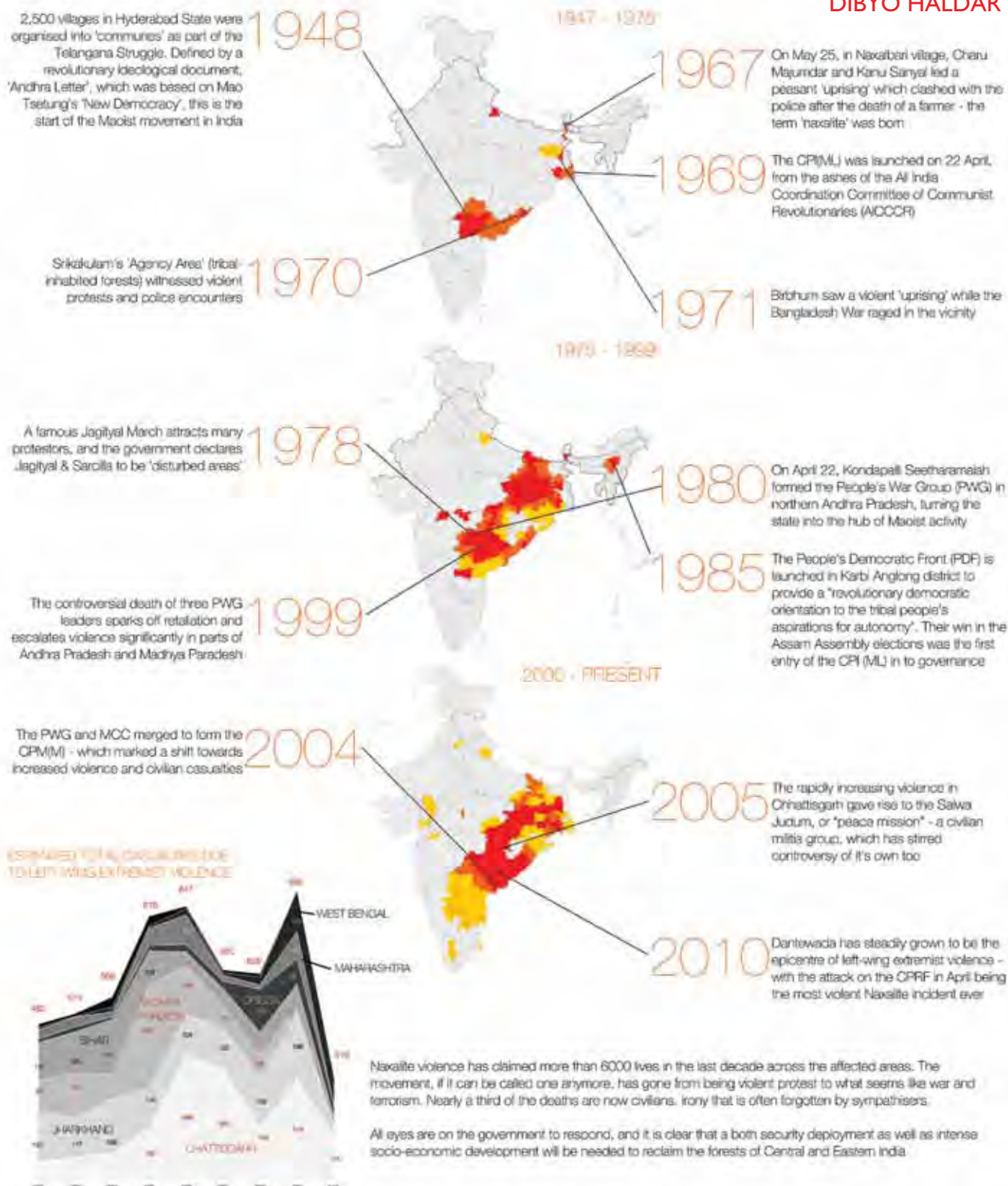
The success of Kundapura demonstrates that municipalities can effect change when empowered. They are the closest form of governance which people see, understand and interact with in their daily lives. It is the municipality which is most suitably positioned to lead the developmental projects which address some of the most pressing resource management problems of India. Municipalities have often been deprived of the autonomy and wherewithal to take care of their towns. Yet, the "face" of government which the millions of citizens see every day is that of the municipality. Empowering and equipping municipalities is therefore important in order to strengthen the faith in the Indian state. ■

Red Alert

The growth of Maoist violence

infographic

DIBYO HALDAR



NOTE: Data has been collected from multiple sources, including The South Asia Terrorism Portal (<http://www.satp.org>), the Ministry of Home Affairs, and various print and online publications, primarily The Hindustan Times and Livemint.com. The use of multiple data sources gives rise to some discrepancies and minor lapses in accuracy, which have been unavoidable. The maps have been based on open source district level maps created by Arun Ganesh.

In Parliament

The civil nuclear liability bill: A question of balance

Last month, the government withdrew its plan of introducing the Civil Liability for Nuclear Damage Bill, 2010 in the Lok Sabha. Several opposition parties had given notice that they would oppose the motion to introduce the bill. However, various media reports indicate that the bill would be introduced after some modifications. We highlight its main features and the principles used internationally to address the issues of liability arising from nuclear damage. This article is based on the version of the bill that was circulated to MPs prior to the proposed introduction.

M R MADHAVAN
& ANIRUDH BURMAN

Liability regimes in some other countries

The United States. The United States was one of the first countries in the world to enact legislation for liability caused by nuclear damage. When the United States started encouraging nuclear power in the 1950s, it felt that private players would be deterred by the uncertainty of the possible liability due to any nuclear accident. The insurance markets were also not in a position to estimate the potential damage. The US Congress then enacted the Price-Anderson Act, which has subsequently been extended and is updated periodically. Currently, this act provides for a pool of funds totalling over \$10 billion, with lines of funding from each nuclear facility operator. Individual operators are also required to take out an insurance of \$300 million. Any civil liability arising out of a nuclear incident will first be met by the operator (up to \$300 million), and then from the common pool (up to \$10 billion). If the liability exceeds \$10 billion, the federal government will be liable; there is no limit to the liability on the federal government.

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Europe. The regulatory regime differs across Europe. For example, the United Kingdom caps operator liability at £140 million, France requires a security of €91 million per nuclear plant, and Germany has unlimited liability with the operator required to provide security of €2.5 billion for each plant.

Principles to address issue of liability

The International Atomic Energy Agency (IAEA) has set forth four basic principles of liability law common to most international agreements.

First, the operator of the facility should be exclusively liable. This prevents lengthy legal processes to identify the liable party. This also reduces insurance costs for other parties such as suppliers and constructors. Second, no-fault liability should be imposed. Liability arises from the act of engaging in hazardous activity, irrespective of fault. Third, exclusive jurisdiction in the state in which the incident occurs. This prevents the potential difficulty of resolving differing judgments in different states. Fourth, liability is limited in amount and in time. In the worst possible circumstances, the financial liabilities may be so large as to make it impossible for operators to find the necessary insurance or financial security to meet the risks. This requires a limit on the amount. As bodily injury to persons may take some time to manifest, there should be reasonable time for victims to file for compensation. At the same time, operators and insurance companies will find it difficult to maintain large reserves for a long time against potential liabilities.

International conventions

There are four major international conventions. Three of these—Paris (1960), Vienna (1963) and the Joint Protocol (1988)—address the issue of cross-border damage. The Paris convention (by OECD countries in western Europe) set minimum levels for liability limits, and required signatory countries to provide for damage to all other signatory countries up to that limit. The IAEA drafted the Vienna Convention in 1963 on similar lines. In 1988, a Joint Protocol was formulated—signatories of this Joint Protocol and the Paris Convention were required to extend liability cover to signatories of the Vienna Convention; a similar reciprocal arrangement applied to signatories of the Joint Protocol and the Vienna Convention.

The Convention of Supplementary Compensation (CSC) was formulated in 1997. This Convention provided for an international pool of funds. Depending on the nuclear plants and generating capacity of a country, it had to provide for a contribution to the pool. Every country has to set aside 300 million special drawing rights (SDRs) per incident; if

the liability due to an accident exceeded this amount, the pooled contribution could be utilised. This convention has not yet come into force. (A SDR is monetary unit of the IMF's reserve assets, and a weighted sum of contributions of four major currencies, reevaluated and adjusted every five years.)

India is not a signatory to any of these conventions. Currently, all nuclear power plants in India are operated by the central government or its public sector undertakings. The Civil Liability for Nuclear Damages Bill, 2010 provides for a regime of limiting liabilities in case of nuclear incidents.

The proposed Bill

The bill has four main features. First, it specifies that the liability will be only on the operator of a nuclear liability. The operator can take recourse against the supplier if there is a written agreement to that effect.

Second, the bill limits the total civil liability on account of a nuclear incident at SDR 300 million (around Rs 2 billion at current conversion rates). The liability of the operator is capped at Rs 5 billion, with any further liability (up to SDR 300 million) being borne by the Union government.

Third, it permits the Union government to set up a claims commissioner, who will invite applications for claiming damages, and will determine compensation amounts. The government may also establish a nuclear damage claims commission if it believes that the amount of damage may exceed Rs 5 billion.

Fourth, it specifies that claims may be made for personal injury or damage to property. Claims can be made by the person sustaining injury or legal representatives. Claims may be made within three years of knowledge of damage. However, the right to make a claim is exhausted after a period of 10 years from the date of the notification of the nuclear incident.

Current status

There were three main concerns raised by various political parties and other commentators. First, whether the liability cap is sufficiently high, and how the risk was to be shared by the operator and the government. Third, whether suppliers of fuel and equipment should also be held liable.

The bill was not introduced in the first part of the Budget session. If it is introduced, it will likely be referred to the standing committee. There are two contending interests. Victims of nuclear accidents need to be provided adequate compensation in a timely manner. Operators of nuclear power facilities should also be able to provide for insurance and financial security needed to meet any claims. Our lawmakers need to find the appropriate balance between these interests. ■

Where is the national disaster management authority?

India's disaster management system needs urgent stewardship

ROHAN JOSHI

India's disaster management capacity continues to be appallingly inadequate despite the numerous calamities—natural and man-made—that the republic has experienced since 1947. The apparent apathy is astounding given that 60 percent of the country is prone to earthquakes (the North East and Himalayan states face the highest risk), 12 percent of the land is prone to flooding and about 75 percent of the coastline is susceptible to cyclones and tsunamis. Moreover, given the security situation in India's neighbourhood, there is also the risk of nuclear, biological and chemical (NBC) disasters.

In the aftermath of the 2004 Indian Ocean tsunami that claimed about 18,000 Indian lives, the government passed the National Disaster Management Act (DM Act) in 2005. The Act considers a holistic approach to addressing disasters, moving away from practices of the past, which focused primarily on response and relief, to one that covers “prevention, mitigation, capacity-building, preparedness, assessment and rehabilitation,” in addition to its traditional scope.

The DM Act established the National Disaster Management Authority (NDMA) as the apex body to plan, coordinate and implement disaster management at the central level and develop guidelines for state authorities. Given the multi-disciplinary scope of disaster management, nodal ministries and departments were appointed for specific disasters. The Ministry of Home Affairs, for example, was designated the nodal agency for all natural disasters (with the exception of drought, which is within the purview of the Ministry of Agriculture), while

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the Department of Atomic Energy was assigned responsibility for nuclear accidents and leakages.

National disaster management is a complex subject, which relies on the strength and maturity of existing local and national institutions of governance. While the NDMA has made progress in establishing overall structure for disaster management, several gaps continue exist in India's disaster-preparedness that require focus.

Although the DM Act was passed in 2005, it took the Cabinet four years to finally approve the National Policy on Disaster Management (NPDMA). The NDMA's role was envisaged to include formulation of calamity-specific guidelines through partnership with necessary stakeholders. However, while some guidelines (such as management of earthquakes, floods and cyclones) have been formulated by the NDMA, many others (including tsunamis, drought, nuclear accidents and urban flooding) are yet to be developed and circulated to the states and ministries.

The test of any policy ultimately lies in its execution. While the NDMA may have made headway in developing an over-arching framework and best practices for disaster management, the success or failure of the system depends heavily on "last-mile" institutions, which are often under-resourced, incapable and insufficient for the task. To this end, institutional capacity building must become a critical area of focus for the NDMA. The country's fire and emergency services remain woefully inadequate and incapable of dealing with large-scale accidents. The state of local law enforcement services, which are first responders to most incidents, suffers from years of neglect in the absence of police reforms. Last mile institutions are in an unsatisfactory state in urban centres. They are significantly worse off in poorer and less developed parts of the country, which are, unfortunately, most prone to disasters. Indeed, the poor response of fire and emergency services and the ensuing blame-game between civil defence and relief & rehabilitation departments in West Bengal, in the aftermath of Cyclone Aila and the Stephen Court fires in March 2010 that resulted in over 100 deaths, underscores the importance of capacity building in disaster management.

Now, civil defence forces are a critical component of any national disaster management framework. Despite the DM Act coming into force in 2005, the role of civil defence in disaster

management was only explicitly defined in 2009, by an amendment to the Civil Defence Act, 1968. Even so, India's civil defence force infrastructure is decrepit, with constraints in budget, training and resources. India's civil defence organisations are ill-equipped to respond to NBC incidents; indeed, even the four National Disaster Response Force (NDRF) battalions specially designated to respond to NBC incidents face a paucity of equipment and expertise.

Developing credible civil defence forces goes hand-in-hand with a public aware of their importance. With the currently low level of public awareness, attempts to provide for such a programme nationwide could lead to indifference or misuse of equipment. This is particularly worrisome given the nature of threats India faces—as terrorists can carry out reconnaissance, monitor movements

The state of local law enforcement services, which are first responders to most incidents, suffers from years of neglect in the absence of police reforms.

or infiltrate sensitive installations, unbeknown to the public or the government (as evidenced in the David Headley case). Awareness of weapons of mass destruction (WMD) threats in India and mitigation techniques is limited to a small number of experts and institutions like the armed forces. The NDMA (and state disaster management authorities) must work to increase public awareness, not least by engaging non-governmental organisations.

As per the recommendations of the Ninth Finance Commission, Calamity Relief Funds (CRFs) were established for the states for immediate relief to victims of certain natural disasters. In addition, the Eleventh Finance Commission recommended the establishment of the National Calamity Contingency Fund (NCCF) towards relief efforts that went beyond the coping capabilities of the states. There are budgetary and administrative efficiencies to be had by merging the various funds with those

provided for by the NDMA framework (national, state and district Disaster Relief Funds – DRFs), for immediate relief and rehabilitation.

Historically, the government has thought of disasters through the prism of calamities or Acts of God. The enactment of the DM Act has effectively expanded the scope of the term “disaster” to also include man-made incidents. However, the NDMA is silent on the applicability of the NDRF for immediate relief and rehabilitation to victims of man-made disasters. In fact, the NDMA is yet to develop a comprehensive list of all disasters, natural and man-made, for which the NDRF fund may be applied to. This ambiguous definition of

applicability leaves relief and rehabilitation funding for critical threats India faces open to interpretation.

Ultimately, the effectiveness of India’s disaster management system will be judged by the response of all institutions—from advisory bodies, to last mile services, central and state—during and after a disaster. In order to develop a capable and mature disaster management system, the government must strengthen autonomous institutions like the NDMA, and provide sufficient funding and resources for last mile and civil defence forces. India must demand a much higher level of performance than what the NDMA has hitherto demonstrated. ■

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The new agency in town

Getting the NIA on its feet

intelligence

Soon after the audacious 26/11 terror attacks in Mumbai, Union Home Minister P Chidambaram announced the formation of National Investigation Agency (NIA) as the central counter-terrorism law enforcement agency of India. Modelled after the FBI, the NIA is claimed to be “not merely a post-incident investigating agency, but also a pre-incident disruption agency.”

However this has led to considerable unease amongst the rank and file of various other central and state counter-terrorism agencies—Research and Analysis Wing (R&AW), Intelligence Bureau (IB), Central Bureau of Investigation (CBI), and the specialised state Anti-Terrorism Squads (ATS). A large number of questions have been raised by the sceptics about the exact role of NIA, its status vis-à-vis the others, availability of trained staff and access to archival intelligence. There have been fears that the new agency will undermine the established ones. Indeed, there is a school of thought that holds that the formation of the NIA only adds another player to the already established intelligence setup in India, making the inter-agency bureaucratic wars even murkier; and instead, it would have been far more prudent to strengthen the existing agencies with better resources—logistical, technical, economical and staffing.

It must be noted that other than offences of terrorism, the NIA will also deal with counterfeit currency, human trafficking, narcotics or drug, organised crime, aircraft hijacking, violations of the Atomic Energy Act and the Weapons of Mass Destruction Act. The agency is under greater public scrutiny due to the circumstances and the promises surrounding its formation. It is currently handling eight cases, the most important among them being the case of Lashkar-

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e-Taiba (LeT) operatives David Coleman Headley and Tahawwur Rana. Although it has not secured any major breakthrough in any of the eight cases, the home minister is believed to be promoting the fledgeling agency as the lead investigator in all terror-related incidents. The challenge for the agency is to sustain, survive and succeed not on the personal support of the incumbent home minister but on its own merit in the future.

As a new agency, the NIA is not yet staffed to its authorised strength. At present all the officials with the NIA are on deputation and any new recruitment in the near future will also have to be on deputation from the central agencies or the state police forces. Even the CBI, which also draws its staff from officers on deputation from various services, is operating 35 percent below strength. In particular it is suffering from chronic shortages among its senior officers and investigators.

The situation in most state police departments is no better. Due to an acute shortage of manpower in the

The NIA must utilise its budget effectively to provide the agency with a logistically, technically and scientifically sound basis.

parent cadres, the states are not willing to spare their better officers, leave alone their best ones, for the NIA. The founder NIA chief had requisitioned over a dozen officers from various Crime Bureaus months ago but that request has not yet been fully met.

The government can overcome this crisis by exercising the option of enforced deputation with the NIA. It must be mandatory for all central and state agencies, with the exception of the IB and R&AW, to depute a few selected officers of special skill sets from selected branches and district headquarters to the NIA. This will allow the latter to gain a local foothold, which is essential for gathering intelligence using local human intelligence sources. These officers will also serve as bridges between the NIA and the Anti-Terrorist Squads of various state police forces.

Deputation, however, can only be a temporary measure to get the agency up and running at the earliest. To fulfil its mission, the NIA must recruit directly.

Both the IB and the R&AW have an enviable pool of resources, archives, access and processes required for gathering intelligence within and outside the country. To make the system optimally effective, the government must centralise and co-ordinate intelligence input. While the IB and R&AW can continue doing they are best at—gathering intelligence—the NIA, empowered by a special act and the power to prosecute can play an important role in ensuring speedy trials and higher rates of convictions. As the NIA matures over a period of time, one of its wings must be dedicated to strengthening the intrinsic intelligence-gathering ability of the agency.

It is no secret that India's top two intelligence agencies—the IB & R&AW—have been in severe competition with each other. The entry of the NIA as another player into this turf war will further complicate matters. To manage this dynamic, the government must put in place an institutionalised arrangement where selected NIA officers are allowed access to the libraries of RAW and the IB. Providing access to these libraries will result in sharing of intelligence inputs such as the voice samples, marked telephone numbers under surveillance, dossiers on terrorists, gangsters, money launderers and other suspects, technical and scientific infrastructure, network of selective informants in the remotest parts of the country, and other databanks. This access must be provided at least until the NIA establishes, equips and populates its own archives sufficiently.

Now, for both professional and organisational reasons, it is unlikely that any agency would easily be willing to share its archives with another. As unrestricted access would be practically impossible, specialised IB and R&AW officials must train selected NIA officials.

Although the total fund allocation for the NIA is still to be declassified, reports suggest that approximately Rs 400-500 million have been allocated on an annual basis. Even as large budgetary allocations are a necessity in these initial years, the government must ensure that these finances are used judiciously to deliver better results. The NIA must ensure that these funds are utilised to provide the agency with a logistically, technically and scientifically sound basis in the formative years.

There are many challenges—from bureaucratic turf wars to the fight for resources—for a new agency like the NIA before it can carve a niche for itself. As it is considered as the home minister's pet project, it should be able to overcome a lot of these challenges. The final benchmarks of its success, however, will be performance and delivery. ■

The old Takshashila

The lighthouse of a civilisation

review essay

Between 576 - 530 BCE, the Achaemenid emperor Cyrus the Great established an empire which extended from Egypt to the Indus—the largest empire in the world at that time. His successor, Darius, incorporated Gandhara, on the eastern border, as a satrapy. The city of Takshashila was its capital. Over the next millennia Takshashila became a cosmopolitan city from where great scholarship, new styles of art, and future emperors would emerge. It was a historic meeting place of the East and the West.

The university town

Takshashila was primarily a centre for learning; an inscribed ladle from the Achaemenid period indicates that this place was a retreat for monks and scholars. We do not know exactly when Takshashila first became a university town. What we know is that it is mentioned as a place of learning in the pre-Buddhist Jataka tales. In fact, Takshashila was a well-known place even before Buddha's period. According to Ramayana, the city was founded by Bharata who named it after his son Taksha. In the Mahabharata, Janamejaya held his court in Takshashila and it was here that Vaisampayana first narrated the story of the conflict between the Pandavas and Kauravas. The Vayu Purana mentions that Takshashila in Gandhara district as well known for the consecration of Taksha, the serpent prince.

During the Buddha's time it was a well-known place of Hindu and Buddhist learning along the Uttarapatha or Northern Route. Students—brahmin youth, princes, sons of rich merchants—traveled from the cities of

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the Gangetic plain to complete their advanced education. Jotipala, the son of a Brahmin priest in the court of the king of Varanasi returned after graduating in archery and military science and was appointed the commander-in-chief. Jivika, Bimbisara's physician who cured the Buddha, studied medicine in Takshashila. Prasenajit, the king of Kosala, who too was associated with the Buddha was a Takshashila alum.

It was in this city that Panini produced one of the greatest achievements in Sanskrit grammar and Kautilya updated and taught the treatise on statecraft. Students, who were admitted at the age of 16, learned the Vedas and arts (archery, hunting, elephant lore, political economy). There were schools for law, medicine and military science educating future emperors like Chandragupta Maurya.

Several accounts note that there was no single university at Takshashila. Each teacher formed his own institution, teaching as many students and subjects he liked without conforming to any centralised syllabus. If a teacher had a large number of students, he assigned one of his advanced students to teach them. Teachers did not deny education if the student was poor; those students were required to do manual work in the household. Paying students like princes were lodged in the teacher's house and were taught during the day; non-paying ones, at night.

Trade and art

Greek historians accompanying Alexander described the place as "wealthy, prosperous and well governed". According to Strabo, Takshashila was a large city governed by good laws. The country was heavily populated and extremely fertile. Apollonius of Tyana who visited Takshashila in 46 CE observed that the people wore cotton and had sandals made of papyrus with a leather cap. The layout of the streets and houses reminded him of Athens.

The city was strategically located at the junction of a road network connecting Central Asia, West Asia and India. The "Royal Highway" connecting Takshashila to Pataliputra was precursor to the Grand Trunk Road. Horses, gold, luxury textiles, precious stones—all passed through Takshashila from the Gangetic plains to the Achaemenid world and beyond. The Aramaic script came into India through this path and influenced the Kharoshthi script which was used for trade and administration. According to John Marshall, Kharoshthi was derived at Takshashila.

The trade was not one way: During the time of

Xerxes, the successor of Darius, Indian soldiers served in the Achaemenid forces and some of them fought in the Battle of Thermopylae against King Leonidas of Sparta. The Indian soldiers also participated in the Battle of Plataea, a year later, in which the Greek city states defeated the Persians. Through these contacts, historians like Herodotus got some very exotic ideas of India.

Takshashila was perhaps always a melting pot of various cultures—Hindu, Buddhist, Persian and Greek. The interaction between Greek and Buddhist cultures influenced Buddhist art. It was here that the Buddha was represented in human form for the first time by artists who were not restricted by the strict Buddhist rules in India. This Gandharan style, which combined Greco-Roman style from Alexandria, Hellenistic and Indian styles, influenced not just the Indians, but also the Central Asians and the South East Asians. The rock

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inscriptions of Asoka were influenced by the rock edicts of Darius in Gandhara. This melting pot culture affected the education with Greek dramas and philosophy being taught along with Indian texts.

The invaders

Following the rule of Artaxerxes II (404 - 359 BCE), the Achaemenid rule declined and local chiefs became independent. After a period of quiescence for three decades, the trade routes brought a new invader and Takshashila surrendered without a fight. In early 327 BCE, half of Alexander's army marched through the Khyber pass and reached the shores of Indus. After subduing the hill tribes, Alexander and rest of the army joined them in 326 BCE at Ohind at the border of Takshashila.

After resting for 30 days, Alexander crossed the Indus into "the country of Indians" and on the other side he was met by an army in battle formation. This

was highly unexpected. The king of Takshashila, Ambhi or Oomphis, had sent word that he would not oppose Alexander and would fight on his side. When it looked as if Ambhi had reneged on his promise, Alexander ordered his army to get ready.

Ambhi rode up alone towards the Greeks and he was met by Alexander who too rode up alone. Realising that what came from Alexander's mouth was all Greek, interpreters were summoned. Ambhi explained that he had come to put both his army and the kingdom at Alexander's disposal. He also gifted elephants, large sheep and 3000 bulls to Alexander prompting the Greek to ask Ambhi if he as into husbandry.

While Ambhi surrendered meekly, his neighbour Porus gave Alexander a good fight and lost. This battle, Battle of the Hydaspes, was immortalised by Western painters like André Castaigne, Charles Le Brun and artists in Russia. For aligning with a foreigner Ambhi is remembered as a traitor to this day.

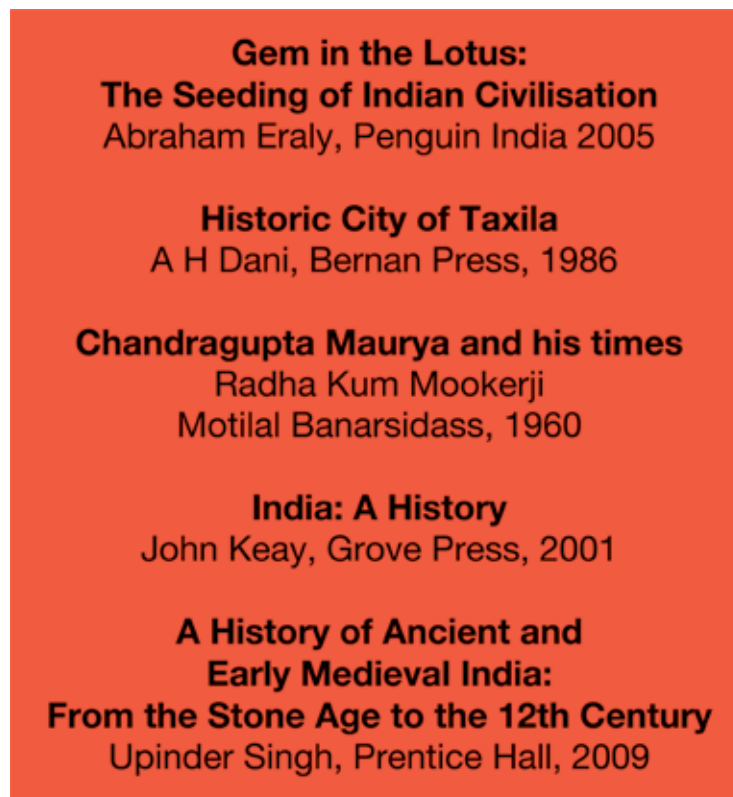
Alexander left in 325 BCE and Greek power declined. Takshashila then became part of the Mauryan empire, under the leadership of Chandragupta Maurya, who, by some accounts, was present in Takshashila during Alexander's invasion. We hear of Takshashila later when Chandragupta Maurya's grandson Ashoka arrived to quell a rebellion which he did successfully without creating resentment among people. In 232 BCE, after Ashoka's death, Takshashila became independent; new

coins were issued by a non-Mauryan authority. It fell under the Bactrian Greek influence till 50 BCE, Parthian and Saka influence till 60 CE and the Kushans till the end of the second century. The Kushan emperor Kanishka had a regional capital in Takshashila.

When the Chinese pilgrim Sung-Yun visited Takshashila in 520 CE, it was already under the Huns who had been ruling for two generations. Sung-Yun noted that the Huns did not believe in the law of the Buddha and were cruel and vindictive. According to him, the people of Takshashila were Brahmins who respected the law of the Buddha. When Fa Hian visited in the fifth century there were numerous

monasteries and stupas. When Xuanzang visited in the 7th century, Takshashila's monasteries had become ruins and the royal family had become extinct. With the loss of royal patronage and with the ascendancy of Saivite and Vaishnavite traditions, Buddhism disappeared from Takshashila.

Soon the city also declined. The political and administrative support perished. The population migrated and the city, after a millennium, became a set of rural settlements. But the memory of the old city did not die: when Alberuni visited in the eleventh century CE, he identified the new name Marikala (today's Margalla) with the old name Takshashila. Islamabad and Rawalpindi lie around 30 km south-east of Taxila, as the city came to be called in recent centuries. ■





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